

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: HM 985 Transportation Equity Act for the 21st Century
SPONSOR(S): Sansom
TIED BILLS: **IDEN./SIM. BILLS:**

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR
1) Transportation Committee		Pugh	Miller
2)			
3)			
4)			
5)			

SUMMARY ANALYSIS

The Transportation Equity Act for the 21st Century (TEA-21), enacted by Congress in 1998, authorized both substantive law and \$198 billion in program funding for federal highways, bridge repair, public transit, and highway congestion and safety initiatives for the six-year period of 1998-2003. TEA-21 expired on September 30, 2003, but short-term transportation funding has been maintained over the last 18 months by six extensions. The current extension expires May 31, 2005. President Bush, the U.S. House, and the U.S. Senate have issued their individual legislative proposals that differ mainly over level of funding. Congressional leaders have said they hope to pass compromise legislation before the current extension expires.

About a third of the annual budget of the Florida Department of Transportation (FDOT) is federal funds. Over the period of 2000-2009, FDOT's annual average share of federal funds is estimated at \$1.7 billion. But Florida could have received more federal funding if it were not a so-called "donor state," meaning it collects and remits more in federal transportation taxes and fees than it receives in return. On average, FDOT gets an 86-percent rate of return.

HM 985 urges the President and the Congress to expedite reauthorization of TEA-21 and guarantee that Florida and the other 49 states receive at least 95 percent rate of return on all federal transportation funds distributed.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. HOUSE PRINCIPLES ANALYSIS:

Provide limited government: HM 985 urges support for Florida and the other 49 states to receive a 95-percent rate of return on the federal transportation-related taxes and fees it collects and remits to the federal government. Florida currently receives 86 cents in federal transportation funds for every \$1 in federal transportation taxes and fees it collects. So, if the rate of return were increased, Florida would likely receive hundreds of millions of dollars more in federal transportation funding. This would increase the size of FDOT's Five-Year Work Program of transportation projects.

B. EFFECT OF PROPOSED CHANGES:

Current Situation

Traditionally, the federal government has created and funded surface transportation programs within multi-year legislation to promote continuity and stability, and to allow states to engage in long-range transportation planning. The most recent federal transportation act was the Transportation Equity Act for the 21st Century (TEA-21), which established the nations' transportation policy and surface-transportation funding levels for the six-year period of 1998 to 2003. Over that period of time, an estimated \$198 billion in federal funds has been distributed to the states to build, improve, or maintain federal highways, repair bridges, expand public transit, and improve highway congestion and safety.

The primary source of federal transportation funding are federal fuel excise taxes: 18.4 cents per gallon for gasoline; 13.2 cents per gallon for gasohol, and 24.4 cents per gallon for diesel. These and other earmarked fees or taxes are distributed to the states based on a very complex formula.

One outcome of this formula is that about half of the states collect and remit more in federal transportation taxes and fees than they receive in return; Florida is one of these so-called "donor states." Florida receives an average of 86 cents in federal transportation funding for every \$1 in federal transportation taxes and fees that it collects and remits. At the other extreme, Alaska receives about \$5.19 in federal transportation funding for \$1 in federal taxes it collects and remits.

TEA-21 expired on September 30, 2003, but six emergency extensions have been approved by Congress and signed by the President to avert disruptions in funding to the states. Congressional leaders and the President have proposed successor legislation to TEA-21, but compromise among the three proposals has been difficult. The level of funding remains the primary sticking point.

Hoping to enact a bill before the May 31st expiration of the latest extension, House and Senate transportation committee leaders have agreed to at least start the reauthorization process by proposing bills that match the administration's spending level of \$284 billion. This amount is less than what the House and Senate had advocated originally, and whether the congressional bills stay within that level is unknown. Also in question is whether this spending level is adequate to raise the rate of return for donor states. Depending on how the new funding formula is structured, donor states like Florida could receive a guaranteed rate of return of 92 percent.

House and Senate committees expect to begin hearing their versions of the reauthorization bill the week of March 7, 2005.

About a third of the annual budget of the Florida Department of Transportation (FDOT) is federal funds. Over the period of 2000-2009, FDOT's annual average share of federal funds has been estimated at \$1.7 billion. FDOT is restricted by federal law on how it can spend these funds. FDOT, the Florida Transportation Commission, other governmental entities, and many private transportation-related groups have been lobbying for not only increased federal funding, but an increase in the rate of return.

Effect of Proposed Changes

HM 985 urges the President and the Congress to expedite reauthorization of TEA-21 and to guarantee that Florida and the other 49 states receive at least a 95-percent rate of return on all federal transportation funds distributed.

The memorial expresses the importance of a stable source of federal funding for Florida and other states in order to successfully plan for and implement its Five-Year Work Program of transportation infrastructure projects. It also notes that because Florida is the third-fastest growing state in the nation with varied transportation access needs to improve mobility, travel safety and economic development for its citizens.

Memorials express the opinion of the Florida Legislature to the Federal Government. Memorials must pass both chambers of the Legislature, before they are transmitted to Congress and the President.

C. SECTION DIRECTORY:

Not applicable.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

See "D. FISCAL COMMENTS" below.

2. Expenditures:

See "D. FISCAL COMMENTS" below.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

See "D. FISCAL COMMENTS" below.

2. Expenditures:

See "D. FISCAL COMMENTS" below.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

If Florida receives a substantial increase in federal transportation funding, then companies that specialize in building roads and other transportation-related projects, provide building materials, and provide engineering and other professional services would benefit. These companies also may have to hire additional employees, or new companies may form, to handle the increased workload.

Private-sector interests that depend on an efficient transportation system would also benefit if additional capacity is added to the state's transportation system as a result of additional federal funding.

D. FISCAL COMMENTS:

Because the various versions of the reauthorization legislation recommend different funding amounts, it is too speculative to estimate how much additional funding FDOT could receive, either with or without a 95-percent rate of return. However, FDOT staff did estimate that the agency would have received

about \$545 million more in federal transportation funds from 1999-2003, under the original TEA-21 if the 95-percent rate of return had been in effect.

Economists generally agree that investments in transportation infrastructure generate substantial economic benefits. A February 2003 report prepared for FDOT entitled, "Macroeconomic Impacts of the Florida Department of Transportation Work Program" concluded that every \$1 spent by the agency for infrastructure yields \$5.50 worth of economic benefits.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

This mandates provision is not applicable to HM 985 because the legislation does not require counties or municipalities to expend local funds or to raise local funds, nor does it reduce their state revenue-sharing.

2. Other:

None.

B. RULE-MAKING AUTHORITY:

Not applicable.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

IV. AMENDMENTS/COMMITTEE SUBSTITUTE & COMBINED BILL CHANGES